

Note: Proposed new language is underlined. Proposed deletions are enclosed in [brackets].

## **Rules of BATS Exchange, Inc.**

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### CHAPTER XI. TRADING RULES

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#### Rule 11.9. Orders and Modifiers

Users may enter into the System the types of orders listed in this Rule 11.9, subject to the limitations set forth in this Rule or elsewhere in these Rules.

- (a) (No change.)
- (b) *Time-in-Force.* Limit orders must have one of the following time-in-force terms.

(1)-(5) (No change.)

(6) Fill-or-Kill (“FOK”). A limit order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled.

- (c) *Other Types of Orders.*

(1) *Reserve Order.* A limit order with a portion of the quantity displayed (“[d]Display [q]Quantity”) and with a reserve portion of the quantity (“[r]Reserve [q]Quantity”) that is not displayed. Both the Display Quantity and the Reserve Quantity are available for execution against incoming orders. If the Display Quantity of an order is reduced to less than a round lot, the System will, in accordance with the User’s instruction, replenish the Display Quantity from the Reserve Quantity using one of the below replenishment instructions. If the remainder of an order is less than the replenishment amount, the Exchange will replenish and display the entire remainder of the order. A User must instruct the Exchange as to the quantity of the order to be initially displayed by the System (“Max Floor”) when entering a Reserve Order, which is also used to determine the replenishment amount, as set forth below.

(A) Random Replenishment. An instruction that a User may attach to an order with Reserve Quantity where replenishment quantities for the order are randomly determined by the System within a replenishment range established by the User. In particular, the User entering an order into the System subject to the Random Replenishment instruction must select a replenishment value and a Max Floor. The initial Display Quantity will be the Max Floor. The Display Quantity of an order when replenished will be determined by the System randomly selecting a round lot number of shares within a replenishment range that is

between: (i) the Max Floor minus the replenishment value; and (ii) the Max Floor plus the replenishment value.

(B) Fixed Replenishment. For any order for which Random Replenishment has not been selected the System will replenish the Display Quantity of an order to the Max Floor designated by the User.

(2)-(4)(No change.)

(5) [(Reserved.)]Minimum Quantity Order. A limit order to buy or sell that will only execute if a specified minimum quantity of shares can be obtained. Orders with a specified minimum quantity will only execute against multiple, aggregated orders if such executions would occur simultaneously. The Exchange will only honor a specified minimum quantity on BATS Only Orders that are non-displayed or IOCs and will disregard a minimum quantity on any other order.

(6) (No change.)

(7) (No change.)

(A) (No change.)

(B) Regardless of any liquidity removed from the BATS Book under the circumstances described in paragraph [(c)(6)](A) above, a User may enter a Partial Post Only at Limit Order instructing the Exchange to also remove liquidity from the BATS Book at the order's limit price up to a designated percentage of the remaining size of the order after any execution pursuant to paragraph [(c)(6)](A) above ("Maximum Remove Percentage") if, after removing such liquidity at the order's limit price, the remainder of such order can then post to the BATS Book. If no Maximum Remove Percentage is entered, such order will only remove liquidity to the extent such order will obtain price improvement as described in paragraph [(c)(6)](A) above.

(No change.)

(8)-(16) (No change.)

(17) Stop Order. A Stop Order is an order that becomes a BATS market order when the stop price is elected. A Stop Order to buy is elected when the consolidated last sale in the security occurs at, or above, the specified stop price. A Stop Order to sell is elected when the consolidated last sale in the security occurs at, or below, the specified stop price.

(18) Stop Limit Order. A Stop Limit Order is an order that becomes a limit order when the stop price is elected. A Stop Limit Order to buy is elected when the consolidated last sale in the security occurs at, or above, the specified stop price. A Stop

Limit Order to sell becomes a sell limit order when the consolidated last sale in the security occurs at, or below, the specified stop price.

(d) (No changes.)

(e) *Cancel/Replace Messages.* A User may, by appropriate entry in the System, cancel or replace an existing order entered by the User, subject to the following limitations.

(1) Orders may only be cancelled or replaced if the order has a time-in-force term other than IOC or FOK and if the order has not yet been executed.

(2) (No change.)

(3) Other than changing a limit order to a market order, only the price, stop price, the sell long or sell short indicator, Max Floor and quantity terms of the order may be changed by a Replace Message. If a User desires to change any other terms of an existing order the existing order must be cancelled and a new order must be entered.

(4) (No change.)

(f)–(g) (No change.)

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#### Rule 11.12. Priority of Orders

(a) (No change.)

(1)–(2) (No change.)

(3) In the event an order has been cancelled or replaced in accordance with Rule 11.9(e) above, such order only retains priority if such modification involves a decrease in the size of the order, a change to Max Floor of a Reserve Order, a change to the stop price of a Stop Order or Stop Limit Order or a change in position from sell long to sell short or vice-versa. Any other modification to an order, including an increase in the size of the order and/or price change, will result in such order losing priority as compared to other orders in the BATS Book and the timestamp for such order being revised to reflect the time of the modification.

(4) (No change.)

(5) The [d]Display[ed] [q]Quantity of a Reserve Order shall have time priority as of the time of display. [If the displayed quantity of the Reserve Order is decremented such that 99 shares or fewer would be displayed, the displayed portion of the Reserve Order shall be refreshed for (i) the original displayed quantity, or (ii) the entire reserve quantity, if the remaining reserve quantity is smaller than the original displayed quantity.] A new timestamp is created both for the [refreshed]Display Quantity and [reserved portion]the Reserve Quantity of the order each time it is refreshed from reserve.

(b) (No change.)

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#### Rule 11.18. Trading Halts Due to Extraordinary Market Volatility

This Rule shall be in effect during a pilot period to coincide with the pilot period for the Regulation NMS Plan to Address Extraordinary Market Volatility. If the pilot is not either extended or approved permanently at the end of the pilot period, the prior version of Rule 11.18 shall be in effect.

(a) (No changes.)

[(i)](1) (No changes to text.)

[(ii)](2) (No changes to text.)

[(iii)](3) (No changes to text.)

[(iv)](4) (No changes to text.)

(b) (No changes.)

[(i)](1) (No changes to text.)

[(ii)](2) (No changes to text.)

(c) (No changes.)

(d) Nothing in this Rule 11.18 should be construed to limit the ability of the Exchange to otherwise halt, suspend, or pause the trading in any stock or stocks traded on the Exchange pursuant to any other Exchange rule or policy.

[(d) Between 9:45 a.m. and 3:35 p.m., or in the case of an early scheduled close, 25 minutes before the close of trading, the Exchange shall immediately pause trading for 5 minutes in any Exchange-listed security, other than rights and warrants, when the price of such security moves a percentage specified below within a 5-minute period, as follows:

(1) The price move shall be 10% or more with respect to securities included in the S&P 500® Index, Russell 1000® Index, and a pilot list of Exchange Traded Products;

(2) The price move shall be 30% or more with respect to all NMS stocks not subject to sub-paragraph (d)(1) of this Rule with a price equal to or greater than \$1; and

(3) The price move shall be 50% or more with respect to all NMS stocks not subject to sub-paragraph (d)(1) of this Rule with a price less than \$1.

The determination that the price of a stock is equal to or greater than \$1 under sub-paragraph (2) above or less than \$1 under sub-paragraph (3) above shall be based on the closing price on the previous trading day, or, if no closing price exists, the last sale reported to the Consolidated Tape on the previous trading day.

At the end of the trading pause, the Exchange will re-open the security using the Halt Auction process set forth in Rule 11.23. In the event of a significant imbalance at the end of a trading pause, the Exchange may delay the re-opening of a security. The Exchange will issue a notification if it cannot resume trading for a reason other than a significant imbalance.

Price moves under this paragraph (d) will be calculated by changes in each consolidated last-sale price disseminated by a network processor over a five minute rolling period measured continuously. Only regular way in-sequence transactions qualify for use in calculations of price moves. The Exchange can exclude a transaction price from use if it concludes that the transaction price resulted from an erroneous trade. If a trading pause is triggered under this paragraph, the Exchange shall immediately notify the single plan processor responsible for consolidation of information for the security pursuant to Rule 603 of Regulation NMS under the Securities Exchange Act of 1934.

If a primary listing market other than the Exchange issues an individual stock trading pause in any of the Circuit Breaker Securities, as defined in paragraph (f) below, the Exchange will pause trading in that security until trading has resumed on the primary listing market. If, however, trading has not resumed on the primary listing market and ten minutes have passed since the individual stock trading pause message has been received from the responsible single plan processor, the Exchange may resume trading in such stock.]

(e) Limit Up-Limit Down Mechanism [(operative as of April 8, 2013).]

(1)-(4) (No changes.)

(5) (No changes.)

(A) Market Orders, FOK Orders and IOC Orders. The System will only execute BATS market orders, FOK Orders or IOC Orders at or within the Price Bands. If a BATS [M]market [O]order, FOK Order or IOC Order cannot be fully executed at or within the Price Bands, the System shall cancel any unexecuted portion of the order without posting such order to the Exchange's order book.

(B)-(C) (No changes.)

(D) Routable Orders. If routing is permitted based on a User's instructions, orders shall be routed away from the Exchange pursuant to Rule 11.13, provided that the System shall not route buy (sell) interest at a price above (below) the Upper (Lower) Price Band.

(E)-(F). (No changes.)

(6) [Trading Pause. Securities shall remain subject to the requirements of paragraph (d) of this Rule until such securities become subject to the Plan. Once an NMS Stock is subject to the Plan, the security shall only be subject to a Trading Pause under the Plan consistent with paragraph (f) of this Rule.](Reserved.)

(7)-(8) (No changes.)

(f) On the occurrence of any trading halt pursuant to this Rule, all outstanding orders in the System, other than Eligible Auction Orders, will be cancelled.

[(f) The provisions of paragraph (e) of this Rule shall be in effect during a pilot set to end on February 4, 2014. During the pilot, the term “Circuit Breaker Securities” shall mean all NMS stocks other than NMS stocks subject to the Regulation NMS Plan to Address Extraordinary Market Volatility.]

(g) (No changes.)

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## CHAPTER XXI. TRADING SYSTEMS

### Rule 21.1. Definitions

(No change.)

(a)-(c) (No change.)

(d) The term “Order Type” shall mean the unique processing prescribed for designated orders that are eligible for entry into the System, and shall include:

(1) “Reserve Orders” are limit orders that have both a portion of the quantity displayed (“Display Quantity”) and with a reserve portion of the quantity (“Reserve Quantity”) that is not displayed[displayed size as well as an additional non-displayed amount]. Both the [displayed and non-displayed portions]Display Quantity and Reserve Quantity of the Reserve Order are available for potential execution against incoming orders. If the [displayed portion]Display Quantity of a Reserve Order is fully executed, the System will, in accordance with the User’s instruction, replenish the [display portion]Display Quantity from the Reserve Quantity using one of the below replenishment instructions[reserve up to the size of the original display amount]. If the remainder of an order is less than the replenishment amount, the Exchange will replenish and display the entire remainder of the order. A User must instruct the Exchange as to the quantity of the order to be initially displayed by the System (“Max Floor”) when entering a Reserve Order, which is also used to determine the replenishment amount, as set forth below. A new timestamp is created for both the [replenished portion]Display Quantity and the Reserve Quantity of the order each time it is replenished from reserve[, while the reserve portion retains the timestamp of its original entry].

(A) Random Replenishment. An instruction that a User may attach to an order with Reserve Quantity where replenishment quantities for the order are randomly determined by the System within a replenishment range established by the User. In particular, the User entering an order into the System subject to the Random Replenishment instruction must select a replenishment value and a Max Floor. The initial Display Quantity will be the Max Floor. The Display Quantity of an order when replenished will be determined by the System randomly selecting a number of shares within a replenishment range that is between: (i) the Max Floor minus the replenishment value; and (ii) the Max Floor plus the replenishment value.

(B) Fixed Replenishment. For any order for which Random Replenishment has not been selected the System will replenish the Display Quantity of an order to the Max Floor designated by the User.

(2) (No change.)

(3) “Minimum Quantity Orders” are orders that require that a specified minimum quantity of contracts be obtained, or the order is cancelled. Minimum Quantity Orders will only execute against multiple, aggregated orders if such execution would occur simultaneously. The Exchange will only honor a specified minimum quantity on a BATS Only Order[Minimum Quantity Orders may only be] entered with a time-in-force designation of Immediate or Cancel and will disregard a minimum quantity on any other order. [Minimum Quantity Orders received prior to the market open or after market close will be rejected.]

(4)-(12) (No change.)

(13) Stop Order. A Stop Order is an order that becomes a Market Order when the stop price is elected. A Stop Order to buy is elected when the consolidated last sale in the option occurs at, or above, the specified stop price. A Stop Order to sell is elected when the consolidated last sale in the option occurs at, or below, the specified stop price.

(14) Stop Limit Order. A Stop Limit Order is an order that becomes a limit order when the stop price is elected. A Stop Limit Order to buy is elected when the consolidated last sale in the option occurs at, or above, the specified stop price. A Stop Limit Order to sell becomes a sell limit order when the consolidated last sale in the option occurs at, or below, the specified stop price.

(e) (No change.)

(f) The term “Time in Force” shall mean the period of time that the System will hold an order for potential execution, and shall include:

(1)-(4) (No changes.)

(5) Fill-or-Kill (“FOK”). A limit order that is to be executed in its entirety as soon as it is received and, if not so executed, cancelled.

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#### Rule 21.7. Market Opening Procedures

(a) The Exchange will accept market and limit orders and quotes for inclusion in the opening process (the “Opening Process”) beginning at 8:00 am Eastern Time or immediately upon trading being halted in an option series due to the primary listing market for the applicable underlying security declaring a regulatory trading halt, suspension, or pause with respect to such security (a “Regulatory Halt”) and will continue to accept market and limit orders and quotes until such time as the Opening Process is initiated in that option series (the “Order Entry Period”), other than index options. The Exchange will not accept IOC, FOK or WAIT orders for queuing prior to the completion of the Opening Process. The Exchange will convert all ISOs entered for queuing prior to the completion of the Opening Process into non-ISOs. Where a User has entered instructions not to cancel its open orders upon a halt pursuant to Rule 20.3(b), such orders will be queued for participation in the Opening Process for a Regulatory Halt or will be cancelled for a halt that is not a Regulatory Halt. Where trading is halted pursuant to Rule 20.3, but it is not due to a Regulatory Halt, there will be no Order Entry Period and trading shall be resumed upon the determination by the Exchange that the conditions which led to the halt are no longer present or that the interests of a fair and orderly market are best served by a resumption of trading. Orders entered during the Order Entry Period will not be eligible for execution until the Opening Process occurs. After the first transaction on the primary listing market after 9:30 a.m. Eastern Time in the securities underlying the options as reported on the first print disseminated pursuant to an effective national market system plan (“First Listing Market Transaction”) or the Regulatory Halt has been lifted, the related option series will be opened automatically as follows:

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